HOUSING MARKET OUTLOOK

Windsor

Canada Mortgage and Housing Corporation

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Fall 2005

NEW HOME MARKET

Demand for new housing softens in 2006

Following a period of strong residential construction in the Windsor Census Metropolitan Area (CMA) in 1999-2004, CMHC is forecasting a six per cent decline in activity in 2006 on top of a 31 per cent decline this year due to the maturing of the current housing cycle. Job growth, anticipated levels of in-migration and affordable borrowing costs insure to a balanced market in 2006 with total housing starts of 1,490 units.

Favourable demographic and economic conditions in 2006 will support demand for all types of new residential construction in the Windsor CMA. The price of single detached homes will rise seven per cent this year hitting $227,000 and a further four per cent in 2006 driven by rising incomes and low financing costs. Higher home prices will encourage some potential buyers to turn to the lower cost of existing residential homes or more affordable multiple ownership homes such as townhouses or apartments.

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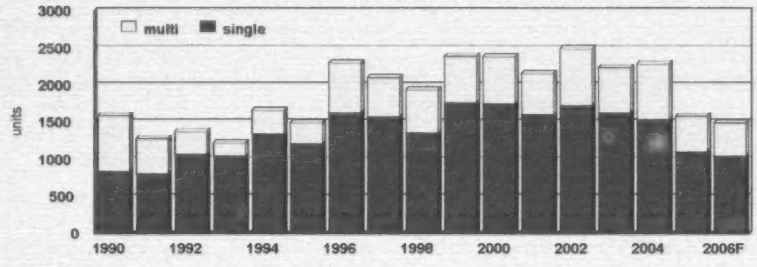
Total starts fall back in 2006



Source: CMHC

Rising costs for land development, labour inputs and building material costs have resulted in higher prices for consumers which have been reflected in a nearly four per cent gain in the New Housing Price Index.

Construction activity tends to lag migration by a few years, for example the drop in net migration to the Windsor CMA bottomed out in 2003 and a corresponding lag in demand for new housing appeared in 2005. Most recent figures for net migration for 2004 showed a gain of 15 per cent which will support demand for

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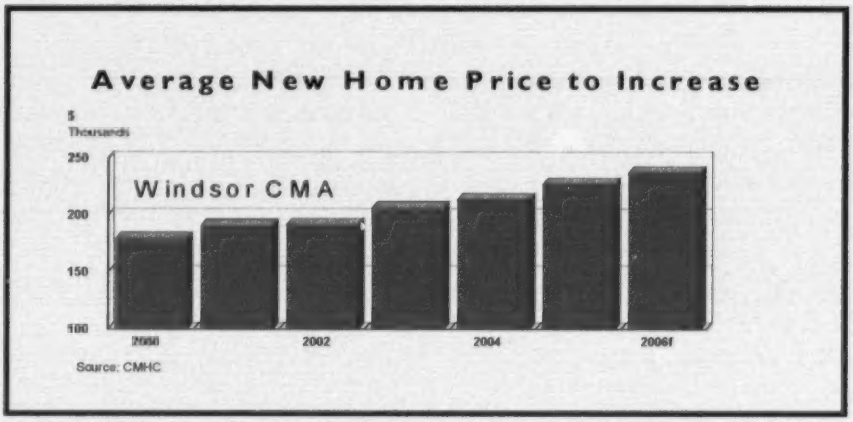
housing in 2006. Age structure is another key determinant of the types of homes in demand. New migrants tend to be young indicating a preference for rental units. This fact along with the absorption of 107 new rental units in the first three quarters of the year (nearly four times the number in 2004) point to an increase in rental demand this year and next.

Apartment and row ownership starts are off to a good start this year and are forecast to reach the 300 unit mark. Starts will decline under the 200 unit mark in 2006 as the market readjusts to a 24 per cent increase in absorptions this year. These units are attractive to professionals/ empty-nesters who are looking for a more carefree lifestyle option in new buildings in established neighbourhoods.



RESALE MARKET

Another strong performance

The outlook for the resale housing market in the Windsor-Essex board remains positive. The delay in the anticipated rise in mortgage rates and increasing home equity have fuelled the resale market. MLS® sales will once again surpass the 5,500 unit market, albeit down slightly from the record 2004 performance. In 2006 as borrowing rates begin to rise sales will decline by less than four per cent.

The increase in MLS® sales has been offset with higher new listings resulting in a drop in the sales-to-new listings ratio. The sales-to-new listings ratio is an indicator of market tightness. At a ratio above 60 per cent sellers have the bargaining advantage, however as more supply becomes available and the ratio drops to the 40-60 range the market is balanced, with neither the buyer or the seller having a bargaining advantage. Homeowners were lured to listing their homes as they witnessed the brisk pace of neighbourhood sales and rising sale prices in the hot sellers market. By the summer the surge in new listings had resulted in the Windsor resale market entering a balanced position.

The average MLS price is forecast to hit the $170,000 market in 2006 following an increase 3.6 per cent this year and a further 2.7 per cent next year. The increase in the number of new listings will offer buyer's more choice and time to make a decision as well as ease some of the upward pressure on prices.

Homeownership will remain affordable even though home prices will rise. Mortgage rates will be rising gradually from their lowest levels in decades. Monthly mortgage payments (principal and interest) will not stray too far from long term historical lows.

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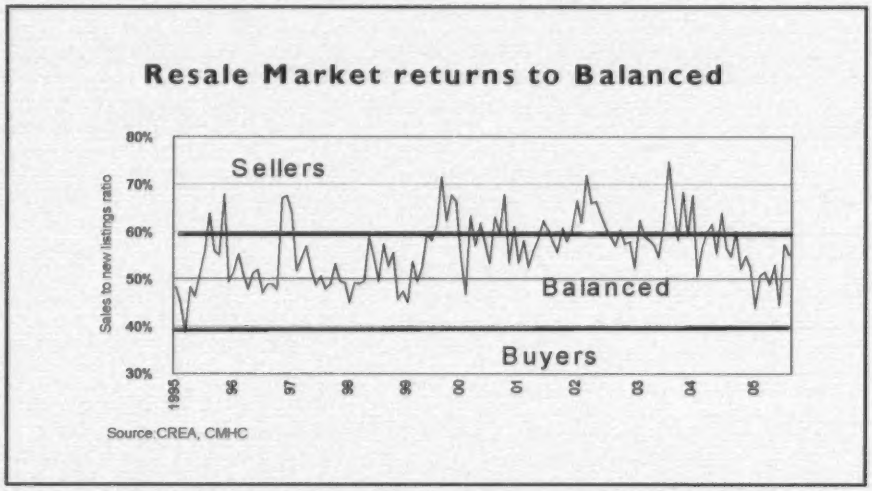
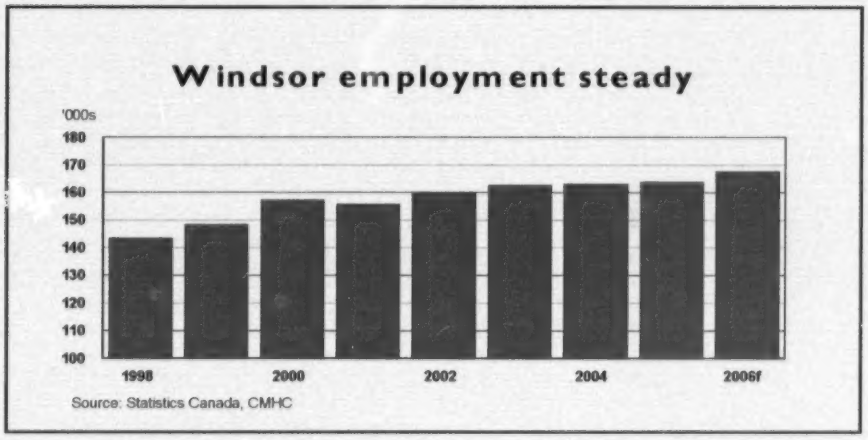


ECONOMIC OVERVIEW



Manufacturing and tourism/service sectors have been hard hit by a higher Canadian dollar and increased border delays. Construction activity, down in part due to the slow down in the residential sector, is expected to be a bright spot in 2006 as over $70 million in industrial and government/institutional capital projects get under way including two new schools. Increased spending on inventory and equipment will help productivity, allowing adjustments to a high Canadian dollar environment.

With the settlement of the auto sector contracts for the next three years, consumer confidence should be stabilized as the uncertainty is lifted. The deal with DaimlerChrysler has guaranteed three shifts at the local van plant and the investment of $575 million for a new paint shop and upgrades. While the deal does eliminate 476 jobs, there are more than 1,200 workers eligible to retire in the next three years.

One of the drivers of the housing market in Windsor has been the leap in incomes of many residents. The Windsor CMA had the largest percentage increase in median family income between 1990-2000 for any CMA in Canada. Estimates for 2005 place Windsor with the third highest family incomes in the province. This translated into strong buying power and consumption in the Windsor area.

The number of same-day car travellers from the United States tumbled to its lowest monthly number on record in July. Canada's rising dollar, the high price of gas and border security issues were cited as the main reasons. Casino Windsor has also been hit by the decrease in cross border travel. In response the Ontario Lottery and Gaming Corporation announced it would be investing more than $400 million in Casino Windsor. Key features of the project which is scheduled for completion in 2007 include a new 400 room hotel, a new 5,000 seat auditorium and 100,000 square feet of convention space. During construction up to 1,000 workers will be on site. When complete, the new complex will create an additional 400 permanent jobs. Employment levels will grow by a respectable 2.3 per cent in 2006 which will continue to support demand for housing.

MORTGAGE RATE OUTLOOK

Mortgage rates will remain low in 2005 and rise moderately in 2006. Tame inflation, and a strong Canadian dollar vis-à-vis the U.S. dollar will restrain the size and speed of Canadian interest and mortgage rate increases in 2005 and 2006.

Short-term mortgage rates are expected to be 25-35 basis points higher in 2005 than in 2004 while longer-term rates will be lower by a similar amount in 2005 compared to the previous year. While still low by historical norms, mortgage rates are expected to rise gradually by 25- 50 basis points in 2006. One, three and five-year mortgage rates are forecast to be in the 4.50-5.75, 5.25-6.25, and 5.50-6.50 per cent ranges respectively in 2005-06.

Windsor Forecast Summary

RESALE MARKET	2002	2003	2004	2005(f)	2006(f)	%Change
MLS* Sales	5265	5300	5832	5550	5350	-3.6%
MLS Average Price	$149,206	$152,000	$159,597	$165,500	$170,000	2.7%
MLS New Listings Sept	680	802	1,040	993	850	-14.4%
Sales-to-New Listings Ratio	61.3%	54.2%	53.8%	51.2%		
NEW HOME MARKET						
Single-detached starts	1726	1632	1539	1100	1050	-4.5%
Semi-detached starts	350	213	194	100	60	-40.0%
Row /Apt Ow nership starts	384	331	427	300	180	-40.0%
Apt Rental/Life-lease starts	30	61	127	80	200	26.1%
Total Starts	2490	2237	2287	1580	1490	-5.7%
Average New Home Price	$191,437	$206,000	$213,469	$227,000	$237,000	4.4%
RENTAL MARKET						
Apartment Vacancy Rate	3.9	4.3	8.8	9.0		
Average 2 Bedroom Rent	$765	$776	$776	$779		
ECONOMIC ASSUMPTIONS						
Mortgage Rate (1-Year Term, %)	5.17	4.84	4.59	4.95	5.52	
Mortgage Rate (5-Year Term, %)	7.02	6.39	6.23	5.95	6.27	
Employment (000's)	158.8	163	163	163.8	167.5	2.3%
Net Migration	3451	2230	2039	2600	3000	15.4%

*Multiple Listing Service, (MLS) is a registered certification mark ow ned by the Canadian Real Estate Association.
Source: Windsor-Essex County Real Estate Board, HRDC, Bank of Canada, CMHC

Housing Market Outlook is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year. For more information contact Margot Stevenson at (519) 873-2407 or mstevens@cmhc-schl.gc.ca

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